

**FINANCIAL MANAGEMENT REQUIREMENTS**

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**PAYROLL**

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**OFFICE OF THE CHIEF FINANCIAL OFFICER**

**CHAPTER 1. GENERAL OVERVIEW**

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## CHAPTER 1. GENERAL OVERVIEW

### 1.1 OVERVIEW.

1.1.1 This Volume sets forth general principles, standards, policies, and procedures to assure compliance with statutory and regulatory requirements for the pay, leave, and allowances of National Aeronautics and Space Administration (NASA) employees. Subjects cover supplement existing regulations by complementing Office of Management and Budget (OMB), Office of Personnel Management (OPM), Government Accountability Office (GAO), Treasury regulation, and other authorities as cited in the Authorities and References Section. This Volume is organized as follows.

- A. Chapter 1. GENERAL OVERVIEW
- B. Chapter 2. PAYROLL ELECTRONIC PROCESSING
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- G. Chapter 7. WITHHOLDING AND DEDUCTIONS
- H. Chapter 8. PAYROLL RELATED DISBURSEMENTS

### 1.2 AUTHORITIES AND REFERENCES.

#### 1.2.3 Laws and Regulations.

##### A. Laws.

1. Pay Administration (5 U.S.C. Chapter 55). Covers Federal pay administration.
2. The Privacy Act of 1974 (5 U.S.C. § 552a). Contains the laws governing NASA's safeguarding, collecting, maintaining, and releasing records on individuals. Contains the provisions for safeguarding individual privacy from misuse of records and documents related to pay, leave, and allowances.
3. Locality-based Comparability Payments (5 U.S.C. § 5304). This section provides comparability payments within each locality determined to have a pay disparity greater than 5 percent.
4. Prevailing Rate Determinations; Wage Schedules; Night Differentials (5 U.S.C. § 5343). Provides for pay rates.

5. Biweekly Pay Periods; Computation Of Pay (5 U.S.C. § 5504). Covers the calculation of pay and authorizes the Office of Personnel Management to prescribe regulations for pay administration.
6. Installment Deduction for Indebtedness to the United States (5 U.S.C. § 5514). This section provides NASA with the authority to collect debts from employees in monthly installments, or at officially established pay intervals, by deduction from the current pay account of the individual.
7. Withholding Pay, State and Local Income Tax Withholdings. These sections cover state and local income tax withholdings, namely, withholding District of Columbia income taxes, withholding state income taxes, and withholding of city or county income or employment taxes, respectively.
  - a. Withholding District of Columbia Income Taxes (5 U.S.C. § 5516)
  - b. Withholding State Income Taxes (5 U.S.C. § 5517)
  - c. Withholding of City or County Income or Employment Taxes (5 U.S.C. § 5520)
8. Night, Standby, Irregular, and Hazardous Duty Differential (5 U.S.C. § 5545). This section covers the establishment of schedules to be used to determine the payment for night, standby, irregular, and hazardous duty differential.
9. Lump-Sum Payment for Accumulated and Accrued Leave on Separation (5 U.S.C. § 5551).
10. Lump-Sum Payment for Accumulated and Accrued Leave on Entering Active Duty; Election (5 U.S.C. § 5552).
11. Severance Pay (5 U.S.C. § 5595).
12. Back Pay Due to Unjustified Personnel Action (5 U.S.C. § 5596). Directs the payment of back pay with interest for employees affected by an unjustified or unwarranted personnel action.
13. Recruitment and Relocation Bonuses (5 U.S.C. § 5753). This section gives the Office of Personnel Management authority to prescribe regulations necessary for recruitment and relocation bonuses.
14. Overseas Differentials and Allowances Act, Public Law 86-707 (5 U.S.C. Chapter 59, Subchapter III).
15. Retention Allowances (5 U.S.C. § 5754). This section gives NASA authority to pay an additional amount above the pay schedule to an employee with exceptional qualifications or if there is a special need for that employee.

16. Uniform Allowances (5 U.S.C. § 5901)
  17. Increase in Maximum Uniform Allowance (5 U.S.C. § 5902)
  18. Annual Leave, Accumulation (5 U.S.C. § 6304)
  19. Labor Management Relations (5 U.S.C. Chapter 71)
  20. The Federal Employees' Compensation Act (FECA), as amended (5 U.S.C. Chapter 81). Compensation for Work Injuries.
  21. Retirement, Ch. 84 Federal Employees Retirement System (5 U.S.C. Chapter 83) and Federal Employees Retirement System (5 U.S.C. Chapter 84). These chapters cover authorizations through law for the Civil Service Retirement and Federal Employees Retirement systems respectively.
  22. Contributions (5 U.S.C. § 8432). This covers contributions to the Thrift Savings Plan.
  23. Employees General (5 U.S.C. Chapter 85). This covers a variety of provisions for the compensation of Federal Employees.
  24. Life Insurance (5 U.S.C. Chapter 87)
  25. Health Insurance (5 U.S.C. Chapter 89)
  26. Bankruptcy Rules (11 U.S.C. Appendix A). Covers Court-ordered bankruptcy rules.
  27. Federal Insurance Contributions Act (FICA) (26 U.S.C. Chapter 21). Covers Federal tax for FICA.
  28. Levy and Dstraint (26 U.S.C. § 6331) and Property Exempt from Levy (26 U.S.C. § 6334). Covers the authority of the Federal Government to levy property due to the delinquent payment of taxes.
  29. Deduction of Tax from Wages (26 U.S.C. § 3102). Authorizes employers to deduct taxes from employee wages.
  30. Consent By United States To Income Withholding, Garnishment, And Similar Proceedings For Enforcement Of Child Support And Alimony Obligations (42 U.S.C. § 659).
- B. Code of Federal Regulations (CFR).
1. 5 CFR 532.211, "Criteria for Establishing Appropriated Fund Wage Areas." This section establishes guidance for the Office of Personnel Management to set pay rates.

2. 5 CFR 550, "Pay Administration." Codifies the Office of Personnel Management's regulation on executive agencies pay administration.
3. 5 CFR 550.313, "Order of Precedence When There is Insufficient Pay to Cover All Deductions"
4. 5 CFR 550.341, "Allotments and Assignments from Federal Employees." Requires NASA to permit an employee to make an allotment for charitable contributions.
5. 5 CFR 550, Subpart C, "Allotments and Assignments from Federal Employees." Requires NASA to permit an employee to make an allotment for specific items.
6. 5 CFR 550.907, "Relationship to additional pay payable under other statutes." This statute covers hazardous pay.
7. 5 CFR 551, "Pay administration under the Fair Labor Standards Act." This section covers the authorizations of payment to employees under the Fair Labor Standards Act.
8. 5 CFR 630.306, "Time Limit for Use of Restored Annual Leave."
9. 5 CFR 831, "Retirement." This section covers the administration of retirement coverage pay for Federal employees.
10. 5 CFR 841, "Federal Employees Retirement System--General Administration." The purpose of this subpart is to state the administrative rules governing the operations of the Federal Employees Retirement System (FERS) that have general application to the basic benefits under FERS.
11. 20 CFR 10, "Claims for Compensation under the Federal Employees' Compensation Act, as amended." This chapter provides for the payment of workers' compensation benefits to civilian officers and employees of NASA.
12. 20 CFR, Part 609, "Unemployment Compensation for Federal Civilian Employees." Provides for a permanent program of unemployment compensation for unemployed Federal civilian employees.
13. 36 CFR 1200 through 1290, "National Archives and Records Administration." Provides for regulations on the handling, retention, disposition, and disposal of executive agency records.
14. The Debt Collection Improvement Act of 1996 and 31 CFR 208. Requires NASA to pay all employees by electronic funds transfer unless as specified in 208.4.

1.2.4 Federal Agency Regulations and Guidance.

A. Office of Management and Budget (OMB).

1. OMB Circular No. A-11, Preparation, Submission and Execution of the Budget
2. OMB Circular No. A-94, Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs
3. OMB Circular No. A-123, Management's Accountability and Control
4. OMB Circular No. A-127, Financial Management Systems

B. Office of Personnel Management (OPM).

1. Develops and maintains Governmentwide regulations and policies on pay administration for NASA and other agencies.
2. Maintains policies and records with all the details needed for pay administration including: basic pay setting, locality pay, special salary rates, back pay, pay limitations, premium pay, grade and pay retention, severance pay, recruitment and relocation bonuses, retention allowances, and cost-of-living allowances (COLA).
3. Provides Governmentwide leadership on the administration of Federal leave policies and programs including the Family and Medical Leave Act, family-friendly leave policies, Federal leave sharing programs, annual leave, sick leave, and time off for special circumstances.
4. Provides Governmentwide leadership on the administration of Federal benefit programs including retirement, health, life insurance, long term care insurance, and flexible spending accounts.
5. Provides policy leadership and expertise on all NASA pay programs for Federal employees, including the General Schedule (GS).
6. Issues and maintains the Guide to Processing Personnel Actions.

C. Treasury Financial Manual (TFM).

1. I TFM Part 3, Chapter 6000, "Purchasing U.S. Savings Bonds, Series EE and I, Through the Voluntary Payroll Savings Plan (T/L 613)"
2. I TFM Part 3, Chapter 7000, "Allotments and Assignments for Pay"

D. Government Auditing Standards (2003 Revision), GAO-03-673G.

1.2.5 Other References.

- A. Joint Financial Management Improvement Program, Human Resources & Payroll Systems. This is a report published by the Joint Financial

Management Improvement Program. This function is now coordinated through the Financial Systems Integration Office (FSIO).

- B. Statement on Auditing Standards 70 (SAS 70), Service Organizations. Internationally recognized auditing standard developed by the American Institute of Certified Public Accountants (AICPA). A SAS 70 audit or service auditor's examination is widely recognized because it entails an in-depth audit of a service organizations control activities, including controls over information technology and related processes. Though a standard of the AICPA, it is recognized as the criteria for auditing payroll and other service providers in the Federal Government. Also refer to SAS 88, Service Organizations and Reporting on Consistency which amends SAS No. 70 to help auditors determine what additional information they might need when auditing the financial statements of an entity that uses a service organization to process transactions. The second part of the SAS amends AU Section 420, "Consistency of Application of Generally Accepted Accounting Principles," to clarify which changes in a reporting entity warrant a consistency explanation.
- C. National Archives and Records Administration (NARA) General Records Schedule (GRS) –Transmittal 10 transmits GRS 24, which provides disposition authorities for Information Technology (IT) Operations and Management Records common to NASA. The GRS is a comprehensive listing of temporary records governing the disposition of specified recurring series electronic of records.
- D. NASA Procedural Requirement (NPR) 3530 –This NASA NPR establishes the responsibilities, procedures, and requirements pertaining to pay policy and allowances. It is applicable to NASA Headquarters and NASA Centers, including Component Facilities.

### 1.3 ROLES AND RESPONSIBILITIES.

#### 1.3.3 Agency Deputy Chief Financial Officer (DCFO) shall:

- A. Approve the use of any payroll processing and related system to assure it will perform the payroll functions consistent with and as needed for the financial process of NASA. Responsibility of the Center DCFO is to ensuring the financial integrity of NASA payroll information for uses by the NASA Core Financial System so that agency financial reporting fairly represents the financial position of NASA.
- B. Ensure any outsourcing arrangement for payroll processing includes provision for an annual audit consistent with SAS 70.
- C. Ensure funds certifications are required before payroll processing to check for the availability of funds for payroll disbursements.
- D. Ensure the payroll process is designed to meet the financial objectives of payroll including timely updates in form and content consistent with NASA



financial accounting and financial information needs including full cost management.

- E. Ensure appropriate reconciliation processes are designed so that updates to NASA financial systems are consistent with source data.
- F. Be apprised of the results of audits and reviews of payroll processing and assure corrective action is appropriately taken.
- G. Ensure the payroll process is designed to meet the management objectives of payroll (See Financial Management Requirements, Volume 11, *Payroll*).
- H. Require employees to use Electronic Funds Transfer (EFT) for net pay deposits in their bank or seek a waiver from the servicing HR organization.

1.3.4 The Quality Assurance Office shall:

- A. Implement a process to assure internal reviews of time and attendance accuracy have been conducted.
- B. Implement a process to assure appropriate audit views have been conducted by a party independent of the payroll processing systems. Including the reviews of the accuracy of data interfaced to and from payroll processing system to other systems within NASA and data supplied directly from the payroll system outside of NASA.
- C. Implement a process to assure appropriate reviews, reconciliations, and adherences to internal control have been observed.

1.3.5 NASA Human Resources (HR) shall:

- A. Approve the use of any payroll processing system to assure it will perform the payroll function consistent with rules, regulations, record retention, and processes needed for the pay, benefit, and tax administration of the NASA workforce.
- B. Maintain employee personnel and other payroll document as necessary.
- C. Ensure provisions are made for the process, use and maintenance of workforce data for information on NASA's workforce.
- D. Enter, process, and update Standard Forms SF 50 and SF 52.
- E. Be responsible for HR specific systems such as the Workforce Integrated Management System (WIMS) including operation of interfaces to and from the payroll processing system to HR specific systems.
- F. Ensure availability of queries and inquiries of personnel and payroll data for NASA employees.

- G. Ensure effective reporting of personnel data concerning workforce functions, staff planning, and staff budgeting.
- H. Manage the new hire accession processes.
- I. Perform benefits administration and update responsibility for benefits not handled through Employee Express.
- J. Ensure a process is available for tax changes, address changes and direct deposit functions for new employees and for those not handled in Employee Express.
- K. Ensure the processing of benefit administration and other actions handled through Employee Express are correct.

1.3.6 Organizations in this section shall work closely together to assure an accurate and effective payroll operation. Individual roles and responsibilities may change between organizations due to operational considerations including reorganizations.

A. NASA Center, NASA Shared Services Center (NSSC), and Headquarters Payroll Offices shall:

- 1. Process Center, NSSC, or Headquarters bi-weekly payroll data in coordination with the NASA Shared Services Payroll Office (NPO).
- 2. Perform the payroll combined Federal campaign and Center-level (detail employee level) Web-based Time and Attendance Distribution System (Web TADS) function.
- 3. Ensure Labor Distribution Codes are included and being updated by employees in the Time and Attendance (T&A) process.
- 4. Analyze, sort and segregate documents to facilitate data entry through input terminals.
- 5. Correct errors or contact submitting office or employee to obtain information necessary to correct errors detected.
- 6. Maintain payroll files and documents specific to bi-weekly payroll.
- 7. Arrange queries and inquiries of personnel and payroll data access for Center, NSSC, and Headquarters employees.
- 8. Process tax changes, address changes and direct deposit functions for new employees and for those not handled in Employee Express as needed

B. NASA NPO shall:

1. Maintain the liaison with each NASA payroll office including the collection of the inputs from T&A processing.
2. Correct errors or contact submitting office or employee to obtain information necessary to correct errors detected.
3. Provide technical support and direction for payroll electronic processing related systems and activities.
4. Maintain employee and payroll report files and other payroll document files as necessary.
5. Resolve processing problems with Department of Interior (DOI) and throughout NASA.
6. Examine all T&A data and all other documents or data input affecting an employee's pay and deductions for completeness, certification, and approval.
7. Examine the results of payroll processing for consistency with the policies and procedures in this Volume.
8. Oversee data processing through Web TADS and DOI Federal Personnel and Payment System (FPPS).
9. Coordinate with Centers, the Competency Center, and DOI for payroll processing related activities.

C. NASA Competency Center shall:

1. Be responsible for accuracy of update and operation of WebTADS for Time and Attendance Processing.
2. Transfer payroll files to and from DOI FPPS and to Centers.
3. Maintain employee and payroll report files and other payroll document files as necessary.
4. Be responsible for operation, scheduling updates, and insuring accuracy of interfaces with the Labor Distribution System and the Core Financial System.
5. Ensure the payroll as processed is accurately updated into the Core Financial System and in agreement with the payroll processing system data.
6. Review reconciliations between the payroll processing system, WebTADS, the Agency Labor Distribution System (ALDS), Core Financial System, Centers and assure corrections are made as appropriate.

7. Maintain liaison with the DOI payroll processing office for NASA including the provision for handling NASA's payroll data.
8. Provide agency wide technical payroll support.
9. Import the payroll labor cost file into the Agency's labor system for Centers review reconciliation of labor cost distribution.
10. Be responsible for accuracy of update and operation of the Labor Distribution System.

D. Center Labor Analysts shall:

1. Maintain end and start dates for valid charge codes within WebTADS.
2. Process payroll data into the NASA's ALDS.
3. Post payroll data into NASA's Core Financial System.
4. Coordinate operation, scheduling updates, and efforts to ensure the accuracy of interfaces with the Labor Distribution System and the Core Financial System with the NASA Competency Center.
5. Review and conduct reconciliations between the payroll processing system, WebTADS, the ALDS, and Core Financial System to ensure corrections are made as appropriate.
6. Coordinate with the NASA Competency Center to ensure the payroll as processed is accurately updated into the Core Financial System and in agreement with the payroll processing system data.
7. Coordinate with the NASA Competency Center and Resource Office to resolve funds certification issues during ALDS processing.
8. Coordinate with the NASA Competency Center to run data diagnosis for payroll data to ensure appropriate update in the payroll processing system.
9. Work with the NASA Competency Center for payroll balancing issues.
10. Review reconciliations between the payroll processing system, WebTADS, ALDS, and Core Financial System (SAP) and assure corrections are made as appropriate.

1.3.7 NASA Employees shall:

- A. Use Employee Express updates for most deductions and benefits.
- B. Request employee verification through The Work Number system.
- C. Record T&A accurately through WebTADS.

D. If supervisory employees:

1. Certify employee's T&A usage through WebTADS.
2. Certify the consistent use and accuracy of labor distribution codes.

1.3.8 Department of Interior (DOI). Through a cross-servicing arrangement DOI serves as the payroll provider for NASA, as well as, for system creation of SF 52/SF 50 personnel actions. DOI provides substantially all the payroll services including: pay and benefit calculation, electronic deposits, external reporting requirements, and meeting disbursing requirements through Treasury for NASA by performing the following detail roles and responsibilities:

- A. Maintaining adequate records to satisfy NASA's needs and assure compliance with Federal statutory and regulatory requirements.
- B. Providing correct data to Treasury regional disbursing offices and the Federal Reserve for issuing and delivering checks and bonds.
- C. Identifying to Treasury regional disbursing officers, in writing, Designated Agents responsible for receipt and delivery of checks and bonds.
- D. Instituting adequate controls and facilities for safekeeping of checks and bonds.
- E. Ensuring all payroll related data is promptly processed in accordance with established schedules.
- F. Correcting errors or contacting submitting office or employee to obtain information necessary to correct errors detected.
- G. Maintaining controls over automated payroll processes.
- H. Maintaining employee and payroll report files and other payroll document files as necessary to support all pay actions.
- I. Making supplemental payments when necessary by preparing a separate SF 1166, Voucher and Schedule of Payments.
- J. Providing documentation to OPM to support retirement actions.
- K. Reconciling total of net pay, deductions, and employer's contributions with the grand total charged to the appropriation on SF 1166.
- L. Submitting tax reports to Federal, State, and local authorities.
- M. Accounting for and reporting to employee organizations the amount of dues deducted by employee and the total amount remitted.

- N. Verifying the SF 1166 is certified by an authorized certifying officer before transmission to the Department of the Treasury Disbursing Officer.
- O. Accounting for U.S. Savings Bonds, Series EE and I, deductions and arrangements for Federal Reserve issuance of bonds.
- P. Determining based on SF 1150, Record of Leave Data, the amount of leave an employee has to his or her credit. See NASA Financial Management Requirements (FMR), Volume 11, *Payroll*, Chapter 4, "Leave."
- Q. Maintaining individual retirement records of service history and fiscal record for Civil Service Retirement System (CSRS) and Federal Employees Retirement System (FERS) employees and quarterly reconcile retirement accounts.
- R. Preparing annual Summary Retirement Fund Transactions for CSRS and FERS.
- S. Processing and calculating all payroll transactions including:
  - 1. Transmission of payments by Electronic Funds Transfer (EFT) to the extent possible.
  - 2. Transmission and receipt of the payroll data through electronic interfaces to and from NASA systems including financial, accounting, and personnel systems.
  - 3. Performing all debt management functions involving NASA personnel payroll administration including cross-servicing arrangements with Treasury, salary overpayment, debt collection, and reporting, and garnishments and legal actions.
- T. Providing a system for entering and processing SF 52/SF 50 personnel actions and interfacing the data for payroll processing and pass back to NASA financial, accounting, and personnel systems.
- U. Performing the payroll account maintenance and accounting function through T&A collection and editing, Labor Distribution processing as defined by NASA, leave and pay processing and maintaining auditing and research capabilities for payroll data.
- V. Processing payroll for NASA consistent with rules, regulations, and parameters set by OPM.
- W. Establishing an annual requirement for an independent party to conduct an audit consistent with SAS 70 to provide assurance of the processing and maintenance of NASA payroll data.

- X. Working with NASA employees and the NASA Shared Services Center NPO to correct errors and perform necessary related functions for payroll and human resources.

#### 1.4 INTERNAL CONTROL.

- 1.4.3 Internal control procedures (see FMR Volume 9, *Internal Management Controls*) will be under constant surveillance by the Agency DCFO, NSSC Payroll Office, Competency Center, Office of Quality Assurance, and others with payroll-related responsibilities to ensure they are effective. Internal controls over payroll operations include, but are not limited to, the following:
- 1.4.4 A separation of duties is required in performance of the activities listed below. Where the size of the organization does not permit separation of these duties, the most effective separation feasible under the circumstances must be provided. In any case, item (A) must always be separate from the other duties:
  - A. Authorization of pay and entitlements;
  - B. Certification of payments;
  - C. Payroll computation;
  - D. Recording of payroll data in accounts;
  - E. Distribution of pay;
  - F. Review of payroll transactions;
  - G. Automated system development;
  - H. System testing;
  - I. System implementation; and,
  - J. System maintenance.
- 1.4.5 The following must be restricted to authorized personnel:
  - A. Access to personnel, payroll, and disbursement records or data files;
  - B. Access to forms used in authorizing special entitlements, allowances, and pay rates; and,
  - C. Payroll processing equipment and related software.
- 1.4.6 Wherever feasible, employees engaged in payroll activities must not maintain or provide service for their own payroll and personnel records. Where the size of an office is so small that this is not feasible, employees may only maintain and provide service for their own routine deductions through

Employee Express, such as withholding exemptions for Federal, State and local tax purposes, and voluntary allotments.

- 1.4.7 To detect inappropriate data at the earliest time and to the extent practical, data entered into automated payroll systems must be subjected to computerized edits when entered. Data elements not susceptible to such edits must be edited at the earliest practical time. Inappropriate data detected must be promptly investigated, corrected, and, if appropriate, reprocessed. A record of such data, its originator, and its disposition must be maintained.
- 1.4.8 To ensure that source documents processed are accurate, complete, and properly authorized, corrections and other adjustments to official documents must be approved in writing or utilize the automated system adjustment processes.
- 1.4.9 Internal management reviews must be performed to ensure that payroll operations are efficient, effective, and in accordance with laws, regulations, and legal decisions.
- 1.4.10 In the case of service providers performing payroll services, audits consistent with the requirements of Statement on Auditing Standards (SAS) No. 70, Service Organizations must be performed to ensure that payroll operations are efficient, effective, and in accordance with laws, regulations, and legal decisions.